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IN THE MATTER OF

The Companies' Creditors Arrangement Act,
R.S.C. 1985, c. C-36 as amended

- and -

IN THE MATTER OF

A Plan of Compromise or Arrangement of the Applicant,
Canadian Sailing Expeditions Inc.

**FIFTH REPORT OF MONITOR
BDO DUNWOODY GOODMAN ROSEN INC.
October 14, 2008**



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2008

S.H. No. 297999

IN THE MATTER OF:

The *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended

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FIFTH REPORT OF MONITOR – BDO DUNWOODY GOODMAN ROSEN INC.

October 14, 2008

MONITOR'S FOURTH COURT REPORT

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1. FIFTH REPORT OF THE MONITOR – GENERAL COMMENTS

- 1.1. Pursuant to an Order (“Initial Order”) of the Supreme Court of Nova Scotia (“the Court”) dated June 27, 2008, BDO Dunwoody Goodman Rosen Inc. was appointed as the Monitor (“the Monitor”) pursuant to an application made by Canadian Sailing Expeditions Inc. (“CSE”) to seek protection under the Companies’ Creditors Arrangement Act (“CCAA”).
- 1.2. The following is a summary of the Orders granted by the Court which form the basis of the CCAA proceeding of CSE as has occurred to date:
 - Initial Order granted on June 27, 2008 by The Honorable Justice Gerald R.P. Moir;
 - First Debtor-in-Possession (“DIP”) Financing Order granted on July 4, 2008 by The Honorable Chief Justice Joseph P. Kennedy;
 - Consent Order extending the Stay of Termination Date from July 24, 2008 to July 25, 2008 granted on July 24, 2008 by The Honorable Justice John D. Murphy;
 - Order Extending the Stay of Termination Date to September 3, 2008 granted on July 25, 2008 by The Honorable Justice John D. Murphy;
 - Second Debtor-in-Possession (“DIP”) Financing Order granted on August 13, 2008 by The Honorable Justice Arthur W.D. Pickup;
 - Claims Process Order granted on August 13, 2008 by The Honorable Justice Arthur W.D. Pickup;
 - Order Extending the Stay of Termination Date to October 17, 2008 granted on September 5, 2008 by the Honorable Justice A. David MacAdam (attached as Exhibit 1).
- 1.3. To date, the Monitor has prepared and filed four detailed reports and one supplementary report with the Court as follows:
 - Monitor’s First Report dated July 2, 2008;
 - Monitor’s Second Report dated July 21, 2008;
 - Monitor’s Supplementary Report dated July 24, 2008;
 - Monitor’s Third Report dated August 8, 2008;
 - Monitor’s Fourth Report dated August 28, 2008.
- 1.4. Subsequent to the date of the Monitor’s Fourth Report of August 28, 2008, the Monitor advises that we have undertaken or we have been involved in various activities which may generally be described as follows:
 - We have continued, on a regular basis, to be in contact and communication with Douglas Prothero, the CEO of CSE, and/or certain members of the CSE staff, CSE’s legal counsel, and counsel to the Monitor. The subject matter of the majority of these contacts and communications are referred to elsewhere herein.

- We continue to field a number of communications from creditors as to the status of the CCAA proceeding of CSE and we have responded to each of these inquiries on a timely basis, including answering the questions about pre-filing obligations and post-filing supply of goods and services, and dealings with respect to the filing of creditors' claims under the Claims Process and other questions that creditors may have had.
- Each week, pursuant to the regime we have established with CSE, we receive the Cash Flow Report and various materials related thereto from CSE and we perform a limited review and reconciliation of the information provided, seek explanations for various questions or variances, recommend changes where appropriate, and provide an email report and the Cash Flow Report to those creditors and parties who have requested same.
- We have reviewed confidential written reports provided to us by Mr. Prothero with respect to progress made toward the determination of the elements and form of a CCAA Plan of Arrangement and we met with Mr. Prothero to fully explore the status of progress of a Plan of Arrangement.
- The Monitor has provided his input to CSE and its counsel as to the form of and certain aspects of a Plan of Arrangement and the CCAA process.
- We have had a number of communications and discussions with CSE, its counsel, and Monitor's counsel regarding various aspects of the CCAA process, including DIP financing, extension of the Stay of Termination Date, Cash Flow, Claims Process, and the elements and positions that may be considered for a Plan of Arrangement.
- The Monitor attended the Court hearing held on September 5, 2008 with respect to the extension of the Stay of Termination Date to October 17, 2008.
- The Monitor has had communications and discussions with certain secured creditors, CSE, and a potential purchaser for the *Hawk*.
- During the period since the last report, the Monitor's staff spent considerable time on the Claims Process, receiving and reviewing claims and related materials, contacting creditors and CSE re differences in claims, reconciling claims, and issuing acceptance or dispute notices.
- With respect to claims in dispute, the Monitor resolved a number of such disputed claims and, in consultation with CSE staff, worked the number of disputes to be considered by the Claims Officer down to two claims.
- The Monitor communicated and met with the Claims Officer to provide materials for his two hearings.
- The Monitor attended at two claims dispute hearings before the Claims Officer, and said claims were resolved with the input of the Monitor.

- The Monitor has had communications with and met with the present DIP lender and possible future DIP lenders.
- The Monitor received a Plan of Arrangement and provided comments to CSE and its counsel.
- The Monitor received and reviewed comments from its counsel, Mr. Holm.
- The Monitor has attended to and reviewed a number of other matters and documentation which may not otherwise be referred to herein.

2. CASH FLOW, CASH FLOW PROJECTIONS, AND DEBTOR-IN-POSSESSION (“DIP”) FINANCING

- 2.1. Each of the previous Monitor’s Reports to the Court included the weekly Cash Flow Reports (Cash Receipts and Disbursements) for the most recent week with accumulation for the full CCAA period to the end of that weekly reporting period. As well, certain of the Monitor’s Reports also contained other monthly Cash Flow Projections. The Monitor commented on each of these documents as they had been presented at the time.
- 2.2. We previously advised the Court that the Monitor has established a regime and timing related to the provision of and a limited review of the Weekly Cash Flow information as provided by CSE to the Monitor. The Monitor has provided full particulars of the regime in its previous reports. The Monitor does not audit the data provided by CSE, nor do we express any opinion as to the accuracy or completeness of the data.
- 2.3. Each week, the Monitor reports on the status of the Cash Flow and provides a copy of the Cash Flow Report to the creditors and other parties who had requested this data. The most recent Weekly Cash Flow Report is attached as Exhibit 2 and is the Weekly Cash Flow Report (Weekly Cash Receipts and Disbursements) for Week #15, being the week from October 6, 2008 to October 12, 2008 inclusive, and including the cumulative position for the first 15 weeks of the CCAA proceeding through to October 12, 2008. The Monitor’s comments in summary with respect to Exhibit 2 are:

- As *The Caledonia* is laid up, there is no revenue in Week #15.
- For the 15 weeks to October 10, 2008, revenue is \$40,482 greater than plan.
- Expenses in Week #15 are \$28,741 less than plan.
- Expenses for the 15 weeks to October 10, 2008 are \$203,472 less than plan.
- DIP loans are \$660,000 with no DIP funds being deposited in Week #15.
- CSE has requested a DIP loan advance which had not been delivered at this writing.
- Trust funds for customer fares paid in advance increased significantly in Week #15 as follows:

Canadian fares in trust	\$ 69,032.68
U.S. fares in trust	\$ 2,220.00

- 2.4 The present DIP financing as approved to be provided by Growthworks Atlantic Venture Fund Limited (“Growthworks”) is estimated at \$813,145 pursuant to the Exhibit 1 Order. To date, \$660,000 is drawn by CSE against the DIP loan as reflected in Exhibit 2. CSE has requested a further DIP loan advance as against approved DIP financing, but the DIP loan funds had not yet been delivered at the time the Cash Flow Report was prepared. The DIP loan funding advance made by CSE was for the balance of available funds of \$153,145. The amount to be advanced, we understand, will be \$145,687, the difference of \$7,458 being interest payable.

- 2.5 Continuing the CSE proceeding, either on an operating or lay up basis with respect to *The Caledonia*, will require more DIP funds. The Monitor has requested that CSE provide updated Cash Flow Projections in this regard under various scenarios. To date, these updated Cash Flow Projections have not been received, but will be needed if there is to be an application for further DIP financing.
- 2.6 As indicated in the Monitor's Fourth Report, it was CSE's intention to lay up *The Caledonia* for annual refit and certification in the month of October, so no revenue was projected for that month. This lay up has taken place and the ship is presently tied up in Lunenburg. After lay up, and the passing of hurricane season, it is planned that *The Caledonia* would sail to the Caribbean for its winter cruising schedule or, depending on other factors, it may stay laid up.
- 2.7 If *The Caledonia* remains laid up in anticipation of a sale, CSE believes it would be more productive to move it to Florida both for preservation purposes and the proximity to the global market.
- 2.8 CSE, at the request of the Monitor, has prepared an estimate of the costs of lay up and removal to Florida in comparison to lay up in Nova Scotia. Attached as Exhibit 3 is a schedule reflecting the comparison of these costs. Notwithstanding that the lay up costs plus removal to Florida are \$58,000 more than keeping the vessel laid up in Nova Scotia, CSE believes a greater realization can be obtained by moving *The Caledonia* to a marketplace which is more accessible to interested parties.
- 2.9 If *The Caledonia* stays laid up and does not sail in the Caribbean in the winter months, then the fares paid in advance will have to be returned to the passengers and there likely would be considerable ill will in the industry and damage to CSE's reputation.
- 2.10 To date, fares paid in advance are all held in separate U.S. dollar and Canadian dollar trust accounts. This amount represents the advances that would have to be returned to customers if none of the Caribbean sailings occurred. The amounts of customer fares paid in advance as reflected on the depositor's list are:

Canadian customer fares paid in advance	\$ 194,043.65
U.S. customer fares paid in advance	\$ 32,785.83

3. CLAIMS PROCESS

3.1. Section 3 of the Monitor's Fourth Report provided a summary of the Monitor's work in setting up the Claims Procedures as was required by the Claims Process Order of August 13, 2008.

3.2. Pursuant to the August 13, 2008 Claims Process Order, the Monitor and others had to adhere to certain critical path timing milestones. These milestone dates, some of which occurred after the date of our Fourth Monitor's Report, are:

- By August 21, 2008 Monitor sent out Claims Package
- By August 22, 2008 Monitor published advertisements in Halifax Chronicle Herald and Toronto Globe & Mail
- By September 11, 2008 Claims Bar Date
- By September 18, 2008 Monitor sent Notices of Disallowance or Revision
- By September 29, 2008 Notices of Dispute to Monitor's Disallowance delivered to Monitor
- By October 15, 2008 Any hearings before the Claims Officer to be held

3.3. The Monitor confirms to the Court that all timing milestones have been complied with. Attached as Exhibit 4 is the Proofs of Claim Register reflecting the status of all claims as they were recorded in the CSE records (or not recorded, but filed). Exhibit 4 shows the claims filed, not filed, amended, disputed, and resolved.

3.4. The Monitor confirms that there were no claims filed after the Claims Bar Date which had to be accepted by Monitor's discretion. Only one claim was received after September 11, 2008 and it was received on October 8, 2008 and was rejected by the Monitor.

3.5. The Monitor advises that there were two claims that became subject to the claims dispute process and which were referred to the Claims Officer, Richard Cregan, for resolution. Hearings on both disputes have taken place. Both claims have now been resolved or decided upon and the resolutions are reflected in Exhibit 4.

- 3.6. The Monitor advises that the subject of the post-filing claims (those incurred after June 27, 2008) and the process for dealing with such claims needs to be the subject of a future Order of the Court, and CSE has been advised of this matter by the Monitor.
- 3.7. The Monitor also advises that he has indicated to CSE that related to the Claims Process and the development of a Plan of Arrangement is the issue of classification of creditors for voting purposes, on which it may be necessary to have direction from the Court.

4. STATUS OF PLAN OF ARRANGEMENT UNDER CCAA

- 4.1. As indicated in previous reports, under Section 11(6) of the CCAA, the Monitor needs to be confident that the burden of proof to satisfy the Court on granting an application is on CSE so as to satisfy the Court that:
- (a) circumstances exist that make an Order appropriate; and
 - (b) CSE has acted in good faith and are continuing to act in good faith and with due diligence.
- 4.2. In the discussions that the Monitor has had with officials of CSE and its counsel, the prospects for a Plan of Arrangement continue to be achievable. The fact continues to remain that any CCAA Plan of Arrangement is likely to include any of the following actions or combinations where possible:
- the sale of the vessel *The Caledonia* by way of an aggressive marketing plan; or
 - the long-term charter of the vessel *The Caledonia*; or
 - an injection of new capital funds or a conversion of debt to equity and/or write-downs and participation from certain secured creditor interests.
- 4.3. Due to the nature of the business and the assets of CSE, the Monitor continues to believe that whatever form of Plan of Arrangement as may be established, it will continue to take some time to determine the major elements of the Plan of Arrangement and it will likely take some further time thereafter to achieve the desired result.
- 4.4. Mr. Prothero, CEO of CSE, has met with the Monitor on a number of occasions and has provided the Monitor with seven written updates as to actions he has undertaken which will lead to the achievement of key elements of a Plan of Arrangement. These seven confidential written reports as provided to the Monitor are dated July 10, 2008, July 23, 2008, August 2, 2008, August 19, 2008, August 25, 2008, September 16, 2008, and October 6, 2008. Each report reflects a trend that CSE's activities are producing contacts and opportunities that, if given the time to flush out, may crystallize into a key program that will launch the Plan of Arrangement.
- 4.5. The Monitor believes that the details of the actions as initiated by CSE to date must continue to be kept confidential so as to protect the ability to negotiate various matters.
- 4.6. The reports from Mr. Prothero to the Monitor reflect that certain brokers have listed *The Caledonia* for sale at 8.5 million Euros (approximately \$13,500,000 Canadian). Certain of the brokers have already identified possible purchasers and, in some cases, the interested parties have inspected the ship. Others are expected to do the same in the next few days. The feedback about the condition of the vessel has been positive.

- 4.7. Mr. Prothero's reports also indicate that certain brokers have been approached for charters in the national resource sectors. There is nothing new in this area at the moment, with the exception of a bid that has already been sent and for consideration by a possible chartering party.
- 4.8. The Monitor is advised by Mr. Prothero's reports that approaches have been made to a number of joint venture or equity partners and these communications are ongoing. Mr. Prothero had the opportunity to meet with a number of parties on a joint venture or equity partner basis and more than one of these contacts appears to be interested in participating with CSE in a go forward plan. Certain of these parties have already inspected *The Caledonia*. In reviewing Mr. Prothero's reports, there appear to be six (6) different parties in the category of joint venture or equity partner who are considering *The Caledonia* opportunity. It appears to be the case that each of these parties has its own partners or investors or lenders to consult with before final investment decisions can be communicated.
- 4.9. The Monitor is still advised by CSE that some preliminary discussions have been held with Growthworks Atlantic Venture Ltd. ("Growthworks") about the conversion of some or all of their debt position to equity, but we caution that we understand that no decision or final commitment has been made by Growthworks in this conversion. Any such conversion, when and if agreed to, would then become an important element in the Plan of Arrangement. The Monitor has confirmed this consideration by Growthworks with its president.
- 4.10. The Monitor has been provided with a copy of a confidential business plan (for greater certainty, not the Plan of Arrangement) which has been prepared by CSE to assist it in its discussions with potential investors. This business plan may still need some work with respect to historical financial statements and updated Cash Flow Projections.
- 4.11. The vessel *Hawk* continues to be laid up in Sheet Harbour. There are certain fixed costs to keeping the *Hawk* in this state, including insurance, wharfage, security, power, etc. In the past two weeks, CSE was approached by a party to purchase the *Hawk* for scrap value. Consents to make the sale were obtained from the Monitor, Growthworks, and Nova Scotia Business Inc. ("NSBI"). In the end, the written offer as agreed to by CSE was amended by the purchaser such that the revised agreement was not in CSE's best interests and the sale was not concluded.
- 4.12. The Extension Order of September 5, 2008, attached as Exhibit 1, requires that CSE file its Plan of Arrangement by October 15, 2008 or, if not filed, CSE must convince the court that there are reasonable grounds why the Plan of Arrangement could not be filed. As previously indicated, the Monitor has had certain discussions and communications with Mr. Prothero and CSE's counsel with respect to various aspects

of the Plan of Arrangement. Over the Thanksgiving weekend, the draft Plan of Arrangement was emailed to the Monitor.

- 4.13. The Monitor has today had the opportunity to review a draft Plan of Arrangement and has, along with its counsel, provided comments to CSE and its counsel. The Monitor will be available at the October 17, 2008 hearing should the Court wish us to comment further on any Plan of Arrangement.
- 4.14. Because of the activities and the materials provided to the Monitor by CSE and the due diligence previously performed by the Monitor to the extent possible on these materials, the Monitor is satisfied that CSE's management has acted and has continued to act in good faith and with due diligence in bringing forth elements that are required for a workable Plan of Arrangement to be considered by the creditors.
- 4.15. The draft Plan of Arrangement does not deal with the details regarding post-filing creditor claims, voting and creditor classes, a creditors meeting, and the Plan of Arrangement implementation. These matters will need to be "fine tuned" as the Plan of Arrangement is finalized for issuance to creditors for their consideration.
- 4.16. The Monitor understands that CSE intends to share the draft Plan of Arrangement with certain creditors prior to the October 17, 2008 hearing in anticipation of receiving comments which CSE may consider in order to finalize the Plan of Arrangement for filing with the Court.

5. COMPANIES' CREDITORS ARRANGEMENT ACT ("CCAA") PROFESSIONAL FEES

- 5.1. As set out in previous reports of the Monitor, Paragraph 30 of the Initial Order provides for the payment of the reasonable fees and disbursements of the Monitor (including the reasonable solicitor and client fees and disbursements of any counsel retained by the Monitor) and the reasonable solicitor and client fees and disbursements of counsel to CSE.
- 5.2. Paragraph 31 of the Initial Order provides that the Monitor, counsel to the Monitor, and CSE's counsel, as security for their reasonable professional fees and disbursements incurred both before and after the making of the Initial Order in respect to the CCAA proceedings, were granted a charge against all present and future property of CSE in the form of an Administration Charge, such charge not to exceed \$300,000 without further Order of the Court. The Monitor continues to believe that there is no reason to seek an increase in the Administration Charge.
- 5.3. Attached as Exhibit 5 is a schedule of the details of the CCAA professional fees including those which are subject to the Administration Charge where they are unpaid. Exhibit 5 reflects total fees (including disbursements and HST) as billed (\$168,615.74) and indicates which ones are paid (\$162,199.59) or are unpaid (\$6,416.15), as the case may be as of October 14, 2008, although the Monitor notes that due to timing differences in the receipt of payment for fees in relation to the preparation of this report, certain fees reflected as unpaid may indeed be paid.
- 5.4. Pursuant to Paragraph 19 of the DIP Order of July 4, 2008, and hence the Second DIP Order of August 13, 2008, the priority of the Administration Charge referred to in Paragraph 3.3 therein is limited, firstly, to \$75,000 and is then, secondly, intersected by the DIP Charge ("DIP Loan"), and then, thirdly, the remaining Administration Charge has next priority. As at the date of this present report, the \$6,416.15 would be the amount subject to the Administration Charge.

6. RECOMMENDATIONS

- 6.1. The Monitor recommends to This Honorable Court that the Stay of Termination Date pursuant to this present CCAA proceeding be extended and continued to on or before November 28, 2008.
- 6.2. Whereas at the time of delivery of this report to the Court, the Monitor has received and reviewed a draft Plan of Arrangement and we understand that it has not yet been filed with the Court, the Monitor recommends that CSE be ordered to file such Plan of Arrangement with the Court by October 24, 2008, assuming that the Plan of Arrangement has not been filed by October 17, 2008 and an Order of Extension of the Stay of Termination Date has been granted.
- 6.3. The Monitor recommends to This Honorable Court that where CSE wishes to continue the CCAA proceeding and whereas additional DIP funds appear to be required, CSE needs to make a third application for DIP financing which the Monitor recommends be made on or before October 24, 2008, subject to the Court extending the Stay of Termination Date.
- 6.4. The Monitor recommends to This Honorable Court that subject to CSE filing its Plan of Arrangement with the Court, and being granted the extension of the Stay of Termination Date referred to in Paragraph 6.1 above, that CSE make further application(s) to the Court:
 - a) to establish a process for the filing of post-filing CCAA claims (post June 27, 2008); and
 - b) if deemed necessary by CSE, to establish or seek direction with respect to the classes of creditors for the purpose of voting at the meeting; and
 - c) to establish a process for the notification of and conduct of the meeting of creditors and the voting thereat.

Dated at Halifax, Nova Scotia this 14th day of October, 2008.

Respectfully submitted

BDO DUNWOODY GOODMAN ROSEN INC.
Court-Appointed Monitor in the CCAA Proceeding of
Canadian Sailing Expeditions Inc.



Paul G. Goodman, FCA, FCIRP, FIIC
President

2008

S.H. No. 297999

IN THE SUPREME COURT OF NOVA SCOTIA

IN THE MATTER OF:

The Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 as amended.

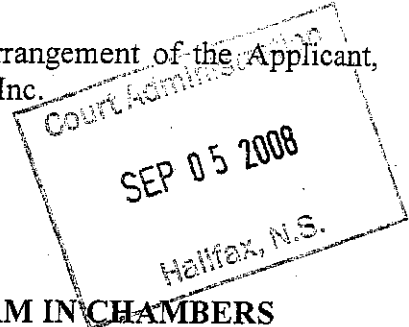
-and-

IN THE MATTER OF:

A Plan of Compromise or Arrangement of the Applicant, Canadian Sailing Expeditions Inc.



ORDER



BEFORE THE HONOURABLE JUSTICE A. DAVID MacADAM IN CHAMBERS

UPON READING the Affidavit of Douglas Prothero sworn August 28, 2008;

AND UPON HEARING Robert G. MacKeigan Q.C., counsel for the Company;

IT IS HEREBY ORDERED THAT:

1. Canadian Sailing Expeditions Inc. (the "Company") not be required to serve notice of this application on any of its creditors except for Growthworks Atlantic Funds Venture Fund Limited, Caterpillar Financial Services Limited, Nova Scotia Business Incorporated, and National Marine and Fire Services Inc.
2. The Stay Termination Date as set in paragraph 3 of the Order of Justice Moir issued June 27, 2008 be extended to October 17, 2008 subject to the right of the creditors of the Company to request a review and reconsideration of this extension following the procedure set out in the Initial Order.
3. A plan of arrangement be filed by the Company on or before October 15, 2008 unless the Court determines that there are reasonable grounds not to file such a plan on or before such date, such determination to be made by the Court on the hearing scheduled to be held October 17, 2008 or at some earlier date on application made by the Company.

ADAM

DATED at Halifax, Nova Scotia, this 5 day of September, 2008.

IN THE SUPREME COURT OF NOVA SCOTIA

I hereby certify that the foregoing document, identified by the Seal of the Court, is a true copy of the original document on file herein.

Dated the 5 day of September A.D., 2008

[Signature]
Deputy Prothonotary

[Signature]
Deputy Prothonotary

LYNSAY MURPHY
Deputy Prothonotary

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Canadian Sailing Expeditions Inc.						
Weekly Cash Receipts and Disbursements						
Week #15						
	CURRENT WEEK			ACCUMULATED POSITION		
	Week 14 Oct 6 - Oct 10 2008			Weeks 1 - 15 Jun 30-Oct 10 2008		
	Actual	Planned	Variance	Actual End	Planned End	Variance
CASH, BEGINNING OF PERIOD	74,126	(49,194)	123,320	58,767	58,767	-
CASH RECEIPTS:						
Caledonia Revenue	-	-	-	305,176	264,694	40,482
Charter Fees	-	-	-	270,171	246,548	23,623
Bar	-	-	-	11,676	6,946	4,730
Excursion (gross-see note below)	-	-	-	16,564	6,072	10,493
Merchandise	-	-	-	6,764	5,129	1,635
Tips Collected - to be disbursed	-	-	-	25,130	5,827	19,303
HST Collected	-	-	-	39,146	17,000	22,146
Accounts Receivable	-	-	-	3,414	-	3,414
Recording Item Prior Week #11	-	-	-	3,243	-	3,243
DIP Funds	-	-	-	660,000	800,000	(140,000)
	-	-	-			
	-	-	-	1,036,109	1,087,521	(51,411)
CASH DISBURSEMENTS:						
Accounts Payable	-	-	-	-	-	-
Uncleared Cheques	-	-	-	57,774	57,774	-
Credit Card Bill	-	-	-	2,000	2,000	-
Accrued Current Payroll Liabilities	-	-	-	79,558	54,884	24,674
General and Office	133	405	(272)	19,067	20,367	(1,300)
Postage/Courier	133	100	33	1,421	1,317	104
Office Supplies	-	50	(50)	1,815	825	990
Computer Supplies/Repairs	-	21	(21)	40	213	(173)
General	-	63	(63)	-	625	(625)
Professional Memberships	-	38	(38)	-	381	(381)
Licenses/Permits	-	21	(21)	607	394	214
Telephone equipment	-	29	(29)	1,223	678	546
Office Phones/Long Distance	-	-	-	5,385	5,060	325
Cell	-	-	-	2,339	3,739	(1,400)
Security	-	-	-	-	-	-
Rent	-	-	-	5,936	6,297	(361)
Computer Equipment	-	84	(84)	300	839	(539)
Salaries	543	-	543	105,163	153,885	(48,723)
Combined net pay (all office wk 1)	-	-	-	19,418	9,148	10,271
Management salaries	-	-	-	24,753	53,278	(28,526)
CEO	-	-	-	8,960	17,843	(8,882)
Director Operations	-	-	-	8,934	17,843	(8,909)
Director Marine Operations	-	-	-	4,210	12,243	(8,033)
Benefits	-	-	-	2,648	5,350	(2,702)
Sales and Marketing Salaries	295	-	295	37,019	57,049	(20,030)
US Sales & Marketing	-	-	-	17,995	23,418	(5,423)
Corporate Sales	-	-	-	4,183	12,484	(8,301)
Marketing Associate	-	-	-	6,994	11,600	(4,607)
Full Time Consumer Sales	295	-	295	2,056	-	2,056
Full Time Consumer Sales	-	-	-	3,795	9,546	(5,752)
Part-time sales	-	-	-	1,996	-	1,996
Administration Salaries	248	-	248	23,973	34,410	(10,438)
Controller/Bookkeeper	248	-	248	14,251	14,407	(157)
Special Projects	-	-	-	7,562	14,477	(6,915)
Cruise Coordinator	-	-	-	2,160	5,526	(3,366)
Professional fees	6,434	7,500	(1,066)	153,371	288,730	(135,359)
Legals	1,650	-	1,650	81,290	25,470	55,820
Consultancy	4,783	7,500	(2,717)	69,171	253,260	(184,089)
Accounting (D.Smith Bal/Audit)	-	-	-	2,910	10,000	(7,090)
Insurance	-	-	-	50,305	51,680	(1,374)
Hull & Machinery Caledonia	-	-	-	32,101	32,100	1
Hull & Machinery Hawk	-	-	-	626	2,055	(1,429)
Protection & Indemnity	-	-	-	13,054	13,000	54
Loss of Use	-	-	-	-	-	-
Outstanding Builder's Risk	-	-	-	-	-	-
COFR	-	-	-	-	-	-
MII	-	-	-	-	-	-
Director's Insurance/Life/Office	-	-	-	4,524	4,525	(1)
Sales & Marketing	745	6,000	(5,255)	91,011	87,771	3,241
General	(1,238)	6,000	(7,238)	40,303	81,460	(41,158)
Travel	296	-	296	8,050	374	7,676
Refinancing	1,687	-	1,687	42,658	5,936	36,722
Caledonia POS System	-	-	-	1,632	1,221	410
Hawk Mooring	-	-	-	3,940	1,870	2,070
Charter Cost	5,220	15,962	(10,741)	295,954	294,676	1,278
Variable Costs	304	-	304	99,602	75,021	24,581
Catering	183	-	183	25,708	26,459	(750)
Alcohol	14	-	14	1,088	1,834	(746)
Supplies	36	-	36	3,007	3,636	(629)
Merchandise	-	-	-	-	1,250	(1,250)
Commissions	-	-	-	8,879	13,427	(4,548)
Excursions	-	-	-	8,364	2,416	5,949

Canadian Sailing Expeditions Inc.
Weekly Cash Receipts and Disbursements
Week #15

	CURRENT WEEK			ACCUMULATED POSITION		
	Week 14			Weeks 1 - 15		
	Oct 6 - Oct 10 2008			Jun 30-Oct 10 2008		
<i>Petty Cash to Ship (see note below)</i>	71		71	52,556	26,000	26,556
Fixed Costs	4,916	15,962	(11,046)	196,352	219,655	(23,303)
Crew Charter	3,781	13,915	(10,134)	180,218	192,573	(12,355)
Combined Net Pays	3,781		3,781	180,218	82,460	97,758
Master					9,488	(9,488)
First Mate					7,475	(7,475)
Bosun					2,300	(2,300)
Bosun Mate					2,013	(2,013)
Chief Engineer		3,738	(3,738)		18,688	(18,688)
Second Engineer		3,738	(3,738)		18,688	(18,688)
Chef					4,025	(4,025)
Sous Chef					2,875	(2,875)
Steward		1,035	(1,035)		5,175	(5,175)
Steward		1,495	(1,495)		7,475	(7,475)
Steward		1,035	(1,035)		5,175	(5,175)
Steward					2,013	(2,013)
Steward					2,013	(2,013)
Steward					2,013	(2,013)
Apprentice		1,035	(1,035)		5,175	(5,175)
Apprentice		920	(920)		4,600	(4,600)
Apprentice		920	(920)		4,600	(4,600)
Apprentice					2,300	(2,300)
Apprentice					2,013	(2,013)
Apprentice					2,013	(2,013)
Crew Provisions		1,213	(1,213)	8,548	14,073	(5,526)
Crew Changes	1,135	833	302	7,586	13,010	(5,423)
Pilot Fees						
Repositioning						
Leases entered into for Caledonia				7,923	6,223	1,700
Fuel				96,631	120,995	(24,364)
Docking		1,146	(1,146)	7,255	14,935	(7,681)
Docking		833	(833)	7,255	11,660	(4,406)
Garbage		313	(313)		3,275	(3,275)
Repair and Maintenance	1,475	13,171	(11,695)	16,931	59,298	(42,367)
Repairs Electrical		531	(531)	2,197	5,311	(3,114)
Repairs Plumbing		319	(319)	239	4,144	(3,905)
Repairs Rigging		631	(631)	2,492	6,399	(3,906)
Repairs Mechanical		638	(638)	1,995	7,675	(5,680)
Repairs Paint		425	(425)	705	5,905	(5,200)
Repairs Drydock						
Repairs Watdock		10,000	(10,000)		20,000	(20,000)
Anchor Repair				75		75
Repairs General	1,475	627	848	9,227	9,865	(638)
Financing Related	26	524	(498)	1,585	6,298	(4,714)
Bank Charges	26	125	(99)	1,585	2,298	(714)
NSBI Loan Guarantee Payment						
Cash Management Charges		400	(400)		4,000	(4,000)
Line of Credit Interest						
TO TRUST ACCOUNT	424		424	424		424
HST Paid on Expenses	967		967	46,194	17,582	28,612
	15,967	44,707	(28,741)	1,036,717	1,240,189	(203,472)
CASH, END OF PERIOD	58,160	(93,901)	152,061	58,160	(93,901)	152,061
US\$ Account Reconciled Balance	10,713	9,392.46 @ exch rate 1.1486				
CAD Account Reconciled Balance	47,901					
US\$ Exchange Difference (cumulative)	(455)					
TOTAL BALANCES - BANKS	58,160					

**COMPARISON OF LAY UP COSTS
NOVA SCOTIA VS. FLORIDA**

	<u>Nova Scotia</u>	<u>South</u>	<u>Delivery If South</u>	<u>Total If South</u>	<u>Difference</u>
Shipkeeping/Maintenance					
Engineer	\$ 5,980	\$ 5,980			
Bridge watch	2,530	2,530			
PT Helper	1,800	1,800			
Meals	1,200	1,200			
Supplies	3,000	3,000			
Administration/Travel	6,000	6,000			
Mooring					
Berthage	500	5,000			
Electrical	2,500	2,500			
Insurance					
Hull and machinery	15,000	15,000			
Protection and indemnity	1,700	1,700			
CoFR			\$ 3,500		
Delivery (One Time Cost)					
Fuel			20,000		
Del crew incl return			30,000		
Totals	<u>\$ 40,210</u>	<u>\$ 44,710</u>	<u>+ \$ 53,500</u>	<u>= \$ 98,210</u>	<u>\$ 58,000</u>

Canadian Sailing Expeditions
 Proofs of Claim Filed Pursuant To Claims Bar Process
 Claims Bar Date - September 11, 2008
 Valuation Date: June 27, 2008

Name of Creditor (By Class)	Amount on CSE's Claim List	Date Claim Received by Monitor	Amount Claimed (General)	Amount Claimed (Subsequent)	Notice of Allowance	Notice of Disallowance/ Revision	Amount Accepted	Comments
SECURED CREDITORS								
1 Caterpillar Financial Services Inc.	5,502,742.25	10-Sep-08	5,806,859.64			12-Sep-2008	5,511,998.00	OK
2 Growth Works Atlantic Ltd.	3,300,000.00	10-Sep-08	4,618,199.69		10-Sep-08		4,618,199.69	OK
TOTAL SECURED CLAIMS	8,802,742.25		10,423,059.33				10,128,197.69	
STATUTORY CLAIMS								
3 Canada Revenue Agency	73,212.00	03-Sep-08	80,676.28			4-Sep-2008	35,139.79	\$11,654.12 secured, \$23,485.67 unsecured OK
4 Halifax Regional Municipality	1,408.17							No Proof of Claim
TOTAL STATUTORY CLAIMS	74,620.17		80,676.28				35,139.79	
CONTINGENT CLAIMS								
5 Nova Scotia Business Inc.	1.00	10-Sep-08	2,500,000.00			11-Sep-2008	2,500,000.00	contingent, only one of CFSL or NSBI can vote this amount, not both. OK
TOTAL CONTINGENT CLAIMS	1.00		2,500,000.00				2,500,000.00	

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LEASE CLAIMS								
6 Bodkin Capital Corporation	67,120.00	29-Aug-08	93,911.25		29-Aug-08		93,911.25	Aug 29, amount accepted for voting only, OK
7 Bodkin Capital Corporation	9,873.00	29-Aug-08	13,189.38		29-Aug-08		13,189.38	Aug 29, amount accepted for voting only, OK
8 CIT Financial	4,828.00	02-Sep-08	6,989.14		03-Sep-08		6,989.14	Accepted for voting only, filed under East Coast Capital Inc., OK
TOTAL LEASE LENDERS	81,821.00		114,089.75				114,089.75	

Canadian Sealing Expeditions
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RELATED CREDITORS TO THE COMPANY (CSE)								
9 Douglas Protherc (Shareholder)	275,000.00	08-Sep-08	303,547.50		09-Sep-08		303,547.50	2 claims, \$285,653 and \$17,894.50, OK
10 Tall Ship Silva (related entity)	20,000.00							No Proof of Claim
TOTAL SHAREHOLDERS CLAIMS	295,000.00		303,547.50				303,547.50	

Canadian Sailing Expeditions
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<u>UNSECURED CREDITORS</u>								
11 3096000 NS Limited	3,763.00							No Proof of claim
12 ACOA	125,000.00	26-Aug-08	125,000.00		29-Aug-08		125,000.00	Filed one POC form, OK
13 ACOA	486,672.00	26-Aug-08	503,403.47		29-Aug-08		503,403.47	Filed one POC form, OK
14 ADT Security Services	108.45	08-Oct-08	108.45			8-Oct-2008	0.00	Claim filed too late
15 Air Liquide Canada Inc.	396.72							No Proof of Claim
16 Alzo Nobel	10,444.77							No Proof of Claim
17 Alacott Air Systems Limited	18,243.20	26-Aug-08	18,243.20		27-Aug-08		0.00	Dispute Settled, to be post claim as work not done
18 Atlantic Industrial Cleaners	1,931.45							No Proof of Claim
19 Atlantic Tractors & Equipment	918.41	02-Sep-08	918.41		02-Sep-08		918.41	OK
20 Barrington Industrial Services	2,761.84							No Proof of Claim
21 BCF Lawyers, Patent, Trademark Agents	756.55							No Proof of Claim
22 BJ Electric	6,637.72							No Proof of Claim
23 BMT Marine & Offshore Surveys Limited	1,255.30							No Proof of Claim
24 Bounty Print	3,171.34	10-Sep-08	3,171.34		11-Sep-08		3,171.34	OK
25 Braemar Pest Control Services	142.96	21-Aug-08	142.96		25-Aug-08		142.96	OK
26 Canadian Geographic	12,547.50							No Proof of Claim

Canadian Sailing Expeditions
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Name of Creditor (By Class)	Amount on CSE's Claim List	Date Claim Received by Monitor	Amount Claimed (General)	Amount Claimed (Subsequent)	Notice of Allowance	Notice of Disallowance/ Revision	Amount Accepted	Comments
27 Canadian Tourism Commission	1,928.00							No Proof of Claim
28 CareerBeacon	423.75							No Proof of Claim
29 Coyle Publishing	1,680.00							No Proof of Claim
30 David E. Smith	45,251.58	10-Sep-08	54,635.98		11-Sep-08		54,635.98	OK
31 Dominion Diving	6,780.00	11-Sep-08	6,780.00		12-Sep-08		6,780.00	OK
32 DSS Marine Incorporated	7,187.90	04-Sep-08	7,187.90		04-Sep-08		7,187.90	OK
33 East Coast Telephone Services	2,066.00							No Proof of Claim
34 Easy Care Carpet Cleaners	1,219.27							No Proof of Claim
35 Electro Marine Co. Inc.	10,901.55	08-Sep-08	26,620.89			10-Sep	5,656.88	Diff is related to additional invoices and work that CSE feels was not satisfactory, OK
36 EZ Compliance Systems Inc.	288.91							No Proof of Claim
37 Floors Plus	5,518.11	10-Sep-08	5,518.11		10-Sep-08		5,518.11	OK
38 Gerald's Trucking	389.85							No Proof of Claim
39 Heedle Marine Service Inc.	11,110.84	26-Aug-08	28,376.90			9-Sep-2008	26,376.90	dispute resolved, Notice rescinding Revision sent Sept 26, 2008, OK
40 HHV Whitechurch	199.77							OK
41 Hour Counter	1,370.64	09-Sep-08	1,370.64		09-Sep-08		1,370.64	Claimed under Xpressway Counter, OK

Canadian Sailing Expeditions
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Name of Creditor (By Class)	Amount on CSE's Claim List	Date Claim Received by Monitor	Amount Claimed (General)	Amount Claimed (Subsequent)	Notice of Allowance	Notice of Disallowance/ Revision	Amount Accepted	Comments
42 Integra International Inc.	377.42	11-Sep-08	405.22			11-Sep-08	382.06	diff is exchange, OK
43 International Paint	10,759.04							No Proof of Claim
44 JAZZ FM91	1,500.00	08-Sep-08	450.00		08-Sep-08		450.00	diff is credit of \$1,050 given by creditor, OK
45 Joiner Systems Inc.	5,885.81							No Proof of Claim
46 Liteco	838.15							No Proof of Claim
47 Marsh Canada Ltd.	41,435.60							No Proof of Claim
48 Mediasage Communications Inc.	348.98							No Proof of Claim
49 Metals R Us	1.00							No Proof of Claim
50 Minister of Finance	904.00							No Proof of Claim
51 Modern Media	1,469.00							No Proof of Claim
52 National Maritime Fire Services Inc.	62,628.04	05-Sep-08	94,062.37			10-Sep-08	103,737.01	OK
53 Navimar Cruises	22,873.32	03-Sep-08	26,814.06			9-Sep-08	26,814.06	Dispute settled by Decision of Claims Officer
54 Nova Scotia Power Inc.	7,200.84							No Proof of Claim
55 PMW	35,371.24							No Proof of Claim
56 Praxair Distribution	395.21							No Proof of Claim
57 Russell Metals Inc.	926.60	25-Aug-08	926.60		25-Aug-08		926.60	OK

Canadian Sailing Expeditions
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Name of Creditor (By Class)	Amount on CSE's Claim List	Date Claim Received by Monitor	Amount Claimed (General)	Amount Claimed (Subsequent)	Notice of Allowance	Notice of Disallowance/ Revision	Amount Accepted	Comments
58 Shambhala Sun Foundation	871.80	28-Aug-08	971.80		27-Aug-08		971.80	OK
59 Ship to Shore Disposal Services Inc	775.60							No Proof of Claim
60 Signs Now	347.33							No Proof of Claim
61 Simply Concrete	758.10							No Proof of Claim
62 Stellar Industrial Services Inc.	60.93	27-Aug-08	60.93		27-Aug-08		60.93	OK
63 The Company of Master Mariners	70.00							No Proof of Claim
64 TRANS	152.55							No Proof of Claim
65 TJ Inspection Services	740.15							No Proof of Claim
66 Transport Canada	50,805.48							No Proof of Claim
67 Travel Trade	10,827.50	02-Sep-08	10,123.00			5-Sep-2008	10,629.15	diff is exchanges, OK
68 TTI Supply Limited	103.96							No Proof of Claim
69 United Rentals	30.02	02-Sep-08	337.43			04-Sep-08	30.47	OK
70 Waide Atlantic - Halifax	303.97							No Proof of Claim
71 Waterfront Development Corporation	9,850.91	11-Sep-08	14,357.81			11-Sep-08	13,538.52	diff re CSE books is invoice bal of \$4570, CSSE accepts all but power charges that are not CSE's, OK
72 Zeniter Norway AS	6,148.38	09-Sep-08	6,442.60			09-Sep-08	6,799.28	Difference is exchanges, OK
73 Gint SailTCS Guadeloupe	0	10-Sep-08	3,335.03		Page 7	11-Sep-08	3,335.03	Not on CSE's list, invoice sent late due to maternity leave of person at Gint, OK

Canadian Sailing Expeditions
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Name of Creditor (By Class)	Amount on CSE's Claim List	Data Claim Received by Monitor	Amount Claimed (General)	Amount Claimed (Subsequent)	Notice of Allowance	Notice of Disallowance/ Revision	Amount Accepted	Comments
TOTAL UNSECURED CREDITORS	1,027,219.31		937,745.10	0.00			907,817.58	
TOTAL OF ALL CLASSES	\$10,281,203.73		\$14,399,097.96	\$0.00			\$13,988,772.31	

**CCAA OF
CANADIAN SAILING EXPEDITIONS INC.
DETAILS OF CCAA PROFESSIONAL FEES REVISED TO OCTOBER 14, 2008**

<u>Supplier</u>	<u>Period</u>	<u>Total Invoices Including Disbursements and HST</u>	<u>Payments</u>	<u>Balance Unpaid</u>
BDO Dunwoody Goodman Rosen Inc. (Monitor)				
- First account	June 27/08 – July 6/08	\$ 8,880.19	\$ 8,880.19	0
- Second account	July 7/08 – July 13/08	3,338.02	3,338.02	0
- Third account	July 14/08 – July 20/08	6,785.09	6,785.09	0
- Fourth account	July 21/08 – July 27/08	5,386.15	5,386.15	0
- Fifth account	July 25/08 – Aug 3/08	2,252.66	2,252.66	0
- Sixth account	Aug 5 – Aug 8/08	6,580.10	6,580.10	0
- Seventh account	Aug 6/08 – Aug 15/08	5,332.47	5,332.47	0
- Eighth account	Aug 16/08 – Aug 24/08	4,979.55	4,979.55	0
- Ninth account	Aug 25/08 – Aug 31/08	7,049.51	7,049.51	0
- Tenth account	Sept 1/08 – Sept 7/08	9,111.71	9,111.71	0
- Eleventh account	Sept 8/08 – Sept 14/08	5,304.79	5,304.79	0
- Twelfth account	Sept 15/08 – Sept 28/08	3,801.89	3,801.89	0
- Thirteenth account	Sept 29/08 – Oct 6/08	5,405.24	5,405.24	0
- Fourteenth account	Oct 7/08 – Oct 10/08	5,970.36	0	\$ 5,970.36
Subtotal (Note 1)		<u>80,177.73</u>	<u>74,207.37</u>	<u>5,970.36</u>
Wickwire Holm (Counsel to the Monitor)				
- First account	June 26/08 – July 4/08	5,249.15	5,249.15	0
- Second account	July 9/08 – July 20/08	4,073.65	4,073.65	0
- Third account	July 21/08 – July 24/08	3,183.21	3,183.21	0
- Fourth account	July 28/08 – July 31/08	1,104.75	1,104.75	0
- Fifth account	Aug 5/08 – Aug 14/08	3,343.69	3,343.69	0
- Sixth account	Aug 18/08 – Sept 7/08	2,202.65	2,202.65	0
- Seventh account	Sept 8/08 – Sept 12/08	870.10	870.10	0
- Eighth account	Sept 25/08 – Sept 25/08	316.40	316.40	0
- Ninth account	Sept 29/08 – Oct 1/08	514.72	514.72	0
Subtotal (Notes 1 & 2)		<u>20,858.32</u>	<u>20,858.32</u>	<u>0</u>

<u>Supplier</u>	<u>Period</u>	<u>Total Invoices Including Disbursements and HST</u>	<u>Payments</u>	<u>Balance Unpaid</u>
Cox & Palmer (Counsel to CSE)				
- First account	June 27/08 – July 4/08	18,021.45	18,021.45	0
- Second account	July 7/08 – July 11/08	4,183.82	4,183.82	0
- Third account	July 2/08 – July 17/08	8,027.78	8,027.78	0
- Fourth account	July 18/08 – July 25/08	9,296.00	9,296.00	0
- Fifth account	July 28/08 – Aug 1/08	975.19	975.19	0
- Sixth account	Aug 3/08 – Aug 8/08	7,073.12	7,073.12	0
- Seventh account	Aug 11/08 – Aug 15/08	7,499.58	7,499.58	0
- Eighth account	Aug 19/08 – Aug 22/08	3,421.62	3,421.62	0
- Ninth account	Aug 25/08 – Aug 28/08	3,522.36	3,522.36	0
- Tenth account	Sept 2/08 – Sept 5/08	3,452.72	3,452.72	0
- Eleventh account	Sept 8/08 – Sept 14/08	184.76	184.76	0
- Twelfth account	Sept 15/08 – Sept 17/08	125.43	125.43	0
- Thirteenth account	Sept 22/08 – Sept 24/08	445.79	0	445.79
- Fourteenth account	Sept 29/08 – Oct 2/08	1,350.07	1,350.07	0
Subtotal (Notes 1 & 2)		<u>67,579.69</u>	<u>67,133.90</u>	<u>445.79</u>
Grand Totals		<u>\$ 168,615.74</u>	<u>\$ 162,199.59</u>	<u>\$ 6,416.15</u>

NOTE 1: The above amounts include time charges, disbursements, and HST.

NOTE 2: Due to timing differences in the receipt of payment for the professional fees by CSE in relation to the preparation of the present report, certain accounts reflected above as unpaid may, in fact, now be paid.